Update on New All-Payer Model Implementation

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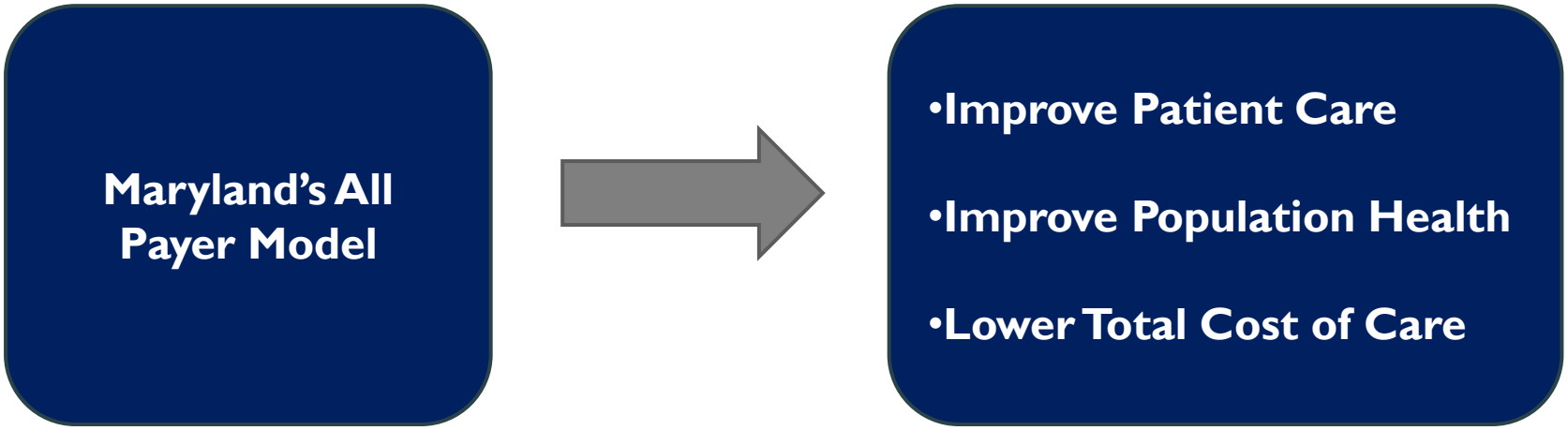
Background

Approved New All-Payer Model

- Maryland is implementing a new All-Payer Model for hospital payment
  - Approved effective January 1, 2014
- The All-Payer Model shifts focus
  - From **per inpatient admissions**
  - To **all payer**, **per capita**, **total hospital** payment

Shifts Focus From Providers to Patients

- Unprecedented effort to improve health and outcomes, and control costs for patients
- Gain control of the revenue budget and focus on providing the right services and reducing utilization that can be avoided with better care



Approved Model at a Glance

- All-Payer total hospital **per capita revenue growth ceiling** of 3.58% annual growth
- **Medicare payment savings** of $330 million in savings over 5 years.
- **Patient and population centered-measures** and targets to promote care improvement
  - Medicare readmission reductions to national average
  - 30% reduction in preventable conditions under Maryland's Hospital Acquired Condition program (MHAC) over a 5 year period
  - Other quality improvement targets

Implementation Timeline and Update on Phase 1

HSCRC Model Implementation Timeline

Phase 1 (to 6/30/14)	Phase 2 (7/1/14 – 3/30/15)	Phase 3 (4/1/15 – 3/30/16)	Phase 4 (2016-Beyond)
Bring hospitals onto global revenue budgets	Identify, monitor, and address clinical and cost improvement opportunities	Implement additional population-based and patient centered approaches	Develop proposal to focus on the broader health system beyond 2018
Begin public input process: advisory council and work groups	•Enhance models, monitoring and infrastructure •Formalize partnerships for engagement and improvement	•Evolve alignment models and payment approaches •Increase focus on total cost of care	Secure resources, and bring together all stakeholders to develop approach

Complete

Phase 1--Focus of Initial Implementation Activities

Results for Phase 1--Global Budget Model

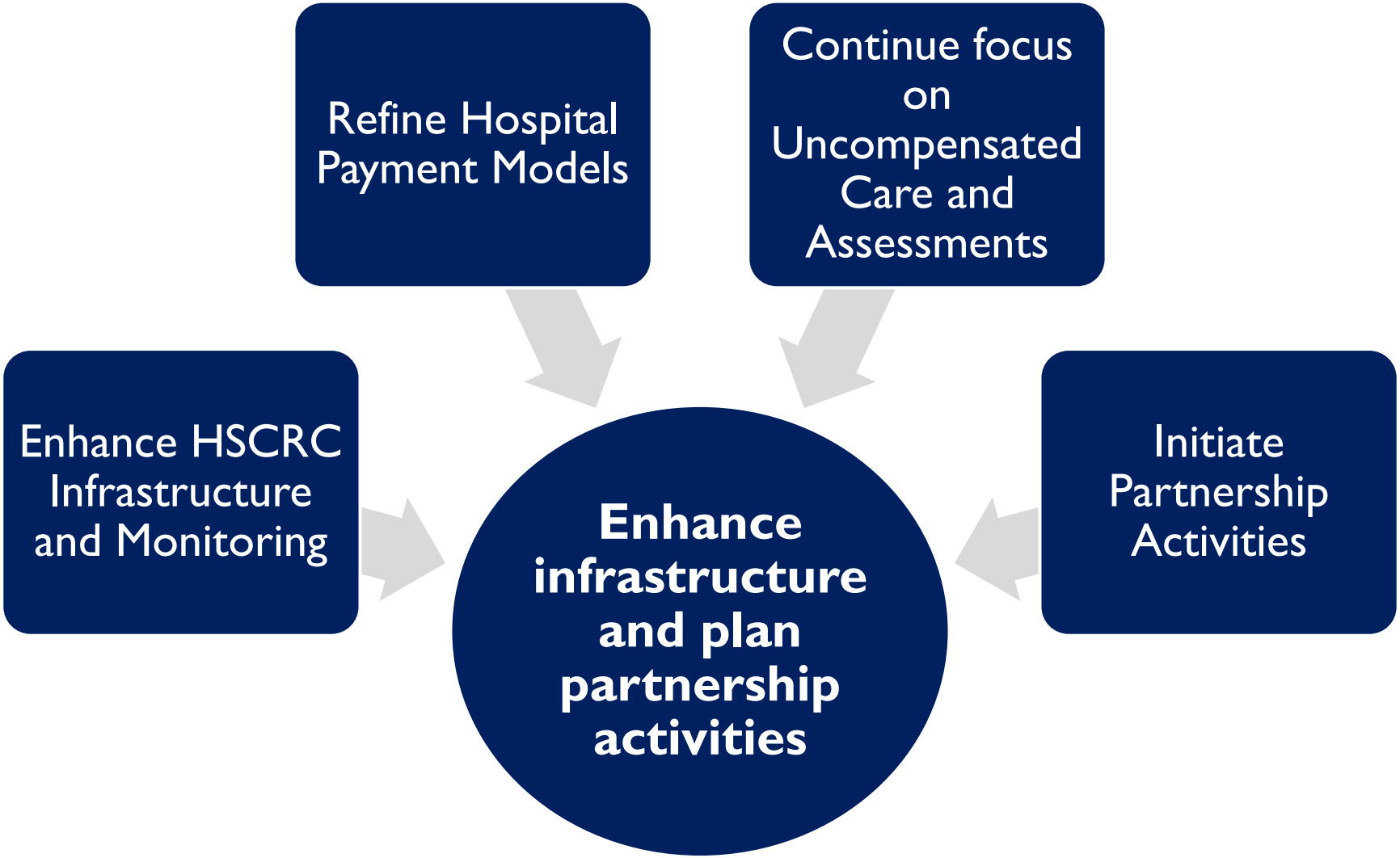
- All hospitals on global budgets
  - More than 95% of hospital revenues under global budgets
  - Key quality payment policies adapted to new model
  - Uncompensated care reductions resulting from Medicaid expansion and reduction in MHIP assessments moderated revenue changes
- On track to remain within overall 3.58% requirement for calendar year 2014, the first year of the new waiver.
  - Uncertain on Medicare savings due to data lags
- Hospital finances have stabilized and improved

Initial Public Engagement Process Accomplishments

- Engaged broad set of stakeholders in HSCRC policy making and implementation of new model
  - Advisory Council, 4 workgroups and 6 subgroups
  - 100+ appointees
  - Consumers, Employers, Providers, Payers, Hospitals
  - Technical White Papers – 18 Shared Publically
- Established processes for transparency and openness
  - Diverse membership
  - Access to information
  - Opportunity for comment

Plans for Phase 2

Phase 2– Continuing implementation and planning during FY 2015

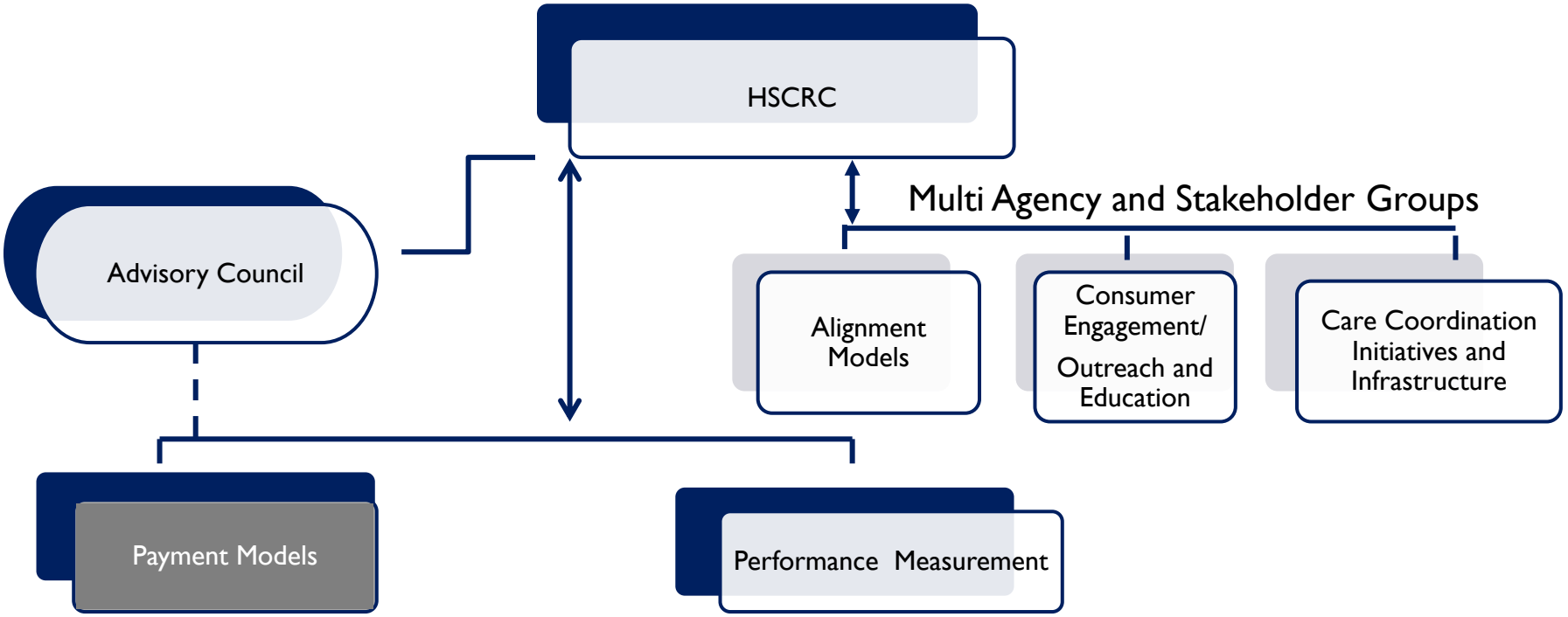


HSCRC Partnerships:
Activities for Phase 2

HSCRC can serve as a catalyst, convener, and partner along with other State agencies and stakeholders.

- Clinical & Cost Improvement: Support selected strategies for reducing potentially avoidable utilization, practice and cost variation, and supporting high needs patients
- Physician and Other Provider Participation: Support development and implementation of alignment/engagement models
- Consumer Participation: Support consumer engagement and skill development

Public Engagement Approach – Phase 2



Potential Ad Hoc Subgroups

- Transfers
- Medicaid Assessment
- Market Share
- Total Cost of Care
- Physician Alignment
- GBR Rev/Budget Corridor
- GBR Template
- GBR Infrastructure Investment Rpt
- Monitoring
- Efficiency
- LTC/Post Acute